

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-10 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01

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R 231517Z MAY 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 728

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY VIENNA

AMCONSUL ZURICH

UNCLAS BERN 2126

VIENNA FOR GEORGE DIETZ, EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, ETRD, SZ

SUBJECT: SPECIAL FORWARD FOREIGN EXCHANGE FACILITY FOR TEXTILE
EXPORTS

REF: BERN 1819

1. SWISS NATIONAL BANK (SNB) HAS CONCLUDED AGREEMENT WITH
SWISS TEXTILE AND APPAREL INDUSTRY TO PROVIDE LIMITED
PROTECTION FOR TRIAL PERIOD AGAINST EXCHANGE MARKET FLUC-
TUATIONS. EFFECTIVE MAY 9, SWISS TEXTILE AND CLOTHING
EXPORTERS WHO RECEIVE SAMPLE ORDERS AT INTERNATIONAL
FAIRS OR FASHION EXHIBITIONS WILL BE ABLE GUARANTEE
FOREIGN BUYERS FIXED PRICES AND EXCHANGE RATES FOR
LARGER FOLLOW-UP ORDERS RECEIVED ON OR BEFORE OCTOBER
31. TO PROTECT EXPORTER AGAINST POTENTIAL APPRECIATION
OF SWISS FRANC (SF) BETWEEN RECEIPT OF SAMPLE AND SUB-
SEQUENT ORDERS, SNB WILL CONVERT FOREIGN PAYMENTS FOR
FOLLOW-UP ORDERS AT EXCHANGE RATE PREVAILING ON DATE
OF SAMPLE ORDER. IF SF SHOULD FALL, PAYMENTS MAY BE
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CONVERTED IN NORMAL EXCHANGE MARKET. EXPORTERS ACCEP-

TING THIS PROTECTION WILL PAY ONE PERCENT OF AMOUNT OF SUBSEQUENT ORDER OR ORDERS TO SNB WHETHER FACILITY USED OR NOT. IF SF FALLS AND EXPORT PAYMENTS CONVERTED IN OPEN MARKET, EXPORTER WILL IN ADDITION BE REQUIRED PAY SNB AS YET UNDERTERMINED FLAT FEE (PROBABLY AROUND SF 100, OR ABOUT DOLLARS 40 AT CURRENT EXCHANGE RATE).

2. EMBASSY UNDERSTANDS THAT SNB HAS NOT YET COVERED ANY TRANSACTIONS UNDER THIS AGREEMENT AND SOME DETAILS REMAIN TO BE WORKED OUT.

3. EMBASSY COMMENT: OVER PAST FEW MONTHS, GOS AND SNB HAVE TAKEN SERIES OF MEASURES IN EFFORT STABILIZE COMPETITIVE POSITION SWISS EXPORTS INCLUDING EXPANDED EXPORT RISK GUARANTEE PROGRAM (BERN 1055 AND A-94), SPECIAL DISCOUNT FACILITY FOR EXPORTS (REFTEL), EXPLORATION OF POSSIBLE SF ASSOCIATION WITH EC SNAKE, AND CONSIDERATION OF FOUNDING EXPORT CREDIT BANK, BUT PRESSURES FOR MORE DIRECT AID TO EXPORTS (E.G., TWO-TIER EXCHANGE MARKET) HAVE THUS FAR BEEN RESISTED. WHILE ABOVE PROGRAM OF LIMITED SCOPE AND INTENDED ASSIST SWISS TEXTILE INDUSTRY WHICH AMONG SECTORS MOST AFFECTED BY RECESSION AND SF APPRECIATION, OTHER EXPORT INDUSTRIES MAY NOW SEEK SIMILAR SPECIAL EXCHANGE RATE TREATMENT. DOMINICK

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